

# Regular Meeting

<b>Agenda Item #</b>	5
<b>Meeting Date</b>	September 27, 2004
<b>Prepared By</b>	Linda S. Perlman Assistant City Attorney
<b>Approved By</b>	Barbara B. Matthews City Manager

<b>Discussion Item</b>	Ordinance to Increase Local Supplement to State Homeowner Property Tax Credit.
<b>Background</b>	<p>By Ordinance No. 1991-42, effective December 16, 1991, the City granted a local supplement to homeowners who qualify for the state homeowner property tax credit program. The City supplement is equal to 15% of the eligible homeowner's state property tax credit. The City program requires that the homeowner first pay his or her City property taxes. After the City receives the list from the State of Maryland of homeowners in the City who have qualified for the state homeowner's property tax credit, then the City mails a check equal to 15% of the state credit to each such eligible homeowner. The attached Ordinance provides for the City supplemental homeowner tax credit to be doubled to 30% of the state credit. First reading of this Ordinance occurred on September 13, 2004.</p> <p>The State of Maryland homeowner property tax credit program provides a credit against a property tax bill for homeowners of all ages who qualify on the basis of gross household income. Eligibility for the program requires that (1) the homeowner must own and reside in the property as the homeowner's principal residence, and (2) the homeowner's net worth, not including the value of the homeowner's principal residence, must not exceed \$200,000. Other limitations are that only the taxes resulting from the first \$150,000 of assessed valuation, less any homestead credit, are eligible for the tax credit. The amount of the tax credit is based on the homeowner's income in relation to the amount of the property tax that he or she would pay in a given year. The homeowners property tax credit is not automatically granted and each homeowner must apply and disclose his or her income every year no later September 1. Homeowners' Property Tax Credit Applications are filed with the State of Maryland Department of Assessments and Taxation (SDAT).</p> <p>Montgomery County grants a County supplemental tax credit to the state homeowner tax credit pursuant to enabling authority granted by <u>Annotated Code of Maryland</u>, Tax-Property §9-215 and as set forth in <u>Montgomery County Code</u> §52-11A. The County program uses the same eligibility requirements and income calculation rules as the State program (<i>i.e.</i>, it covers the first \$150,000 of assessed value and excludes homeowners with a net worth above \$200,000, not including their principal residence). However, the current County program offers a credit to homeowners' with slightly higher incomes than those covered by the state homeowner tax credit program—up to about \$34,000 gross income for the County tax credit supplement, rather than about \$26,000 gross income under the State program. The State Department of Assessments and Taxation administers the County supplement program. Under current practice, SDAT issues a tax credit voucher to an eligible homeowner and the County Finance Department deducts the amount of</p>

	<p>the credit from the homeowner's final tax payment.</p> <p>Pursuant to authority set forth in Tax-Property §9-215, any County or Baltimore City can supplement the state homeowner tax credit program, using its own funds, by: (1) increasing the assessed value limit; (2) revising the income levels on eligibility for the supplement; and/or (3) adopting additional eligibility requirements for the local supplement (<i>e.g.</i>, age, disability). Montgomery County Council Expedited Bill 15-04, Property Tax - Credits, sponsored by Council President Silverman, proposed to amend the County supplement to the state homeowner property tax credit by doubling the maximum home value (assessed value) from \$150,000 to \$300,000 and by increasing the income scale so that some tax credit would be available to taxpayers with about \$58,000 gross annual household income rather than the current \$34,000. The background materials for Expedited Bill 15-04 estimate that the cost of the expanded Montgomery County homeowner tax credit supplement program would be \$10 million and that the number of participants would increase to approximately 10,000 (the current County supplement costs approximately \$0.5 million and there are approximately 2,500 participants). Although there was a public hearing on Expedited Bill 15-04 on July 15, 2004, the County Council has not acted on the bill. This bill is currently scheduled to be discussed by the County Council's Management and Fiscal Policy ("MFP") Committee on October 11, 2004.</p> <p>The state enabling law for the municipal corporation supplement to the state homeowner tax credit program, Tax-Property §9-215.1, is more restrictive than the enabling law for County or Baltimore City supplements to the state homeowner tax credit program. Tax-Property §9-215.1(d) provides that the municipal corporation "is responsible for the administrative duties that relate to the application, determination of eligibility, and payment of a [municipal corporation] local supplement . . ." In addition, Tax-Property §9-215.1 states that the municipal corporation local supplement "shall be equal to a percentage not to exceed 50% of the State homeowners property tax credit . . ." Thus, the City does <u>not</u> have authority to increase either the amount of a home's assessed value covered by the credit or the income levels for eligibility for the municipal corporation local supplement. On the other hand, the City does have the right to enact additional limitations on eligibility for the municipal supplement, such as adding an age or disability criteria to the state eligibility requirements. <i>See</i> Tax-Property §9-215.1.</p>
<b>Policy</b>	The City desires to provide greater tax relief against City property taxes for low income homeowners who are eligible for the state homeowner property tax credit.
<b>Fiscal Impact</b>	<p>Increasing the City's supplement from 15% to 30% would double the present cost of the program. The expenditure line in the FY05 budget was increased by \$25,000 in anticipation of Council's adoption of this ordinance.</p> <p>In FY03, there were 128 eligible recipients of the tax credit--a total cost of \$24,721 to the City. In FY04, there were 112 eligible recipients of the tax credit--a total cost of \$21,875.09 to the City.</p>
<b>Attachments</b>	<p>(1) Ordinance.</p> <p>(2) <u>Takoma Park Code</u>, §§ 11A-7 - 11A-10</p> <p>(3) <u>Annotated Code of Maryland</u>, Tax-Property §9-215.1, municipal corporation</p>

	supplement to section 9-104 (state homeowners property tax credit program). (4) SDAT fact sheet - “What is the Homeowners’ Property Tax Credit Program?”
<b>Recommendation</b>	Second reading - consider Ordinance for adoption at second reading.
<b>Special Consideration</b>	

Introduced by: Councilmember Williams

First Reading: September 13, 2004

Second Reading:

Drafted by: Linda S. Perlman

Asst. City Attorney

Effective Date:

Draft date: September 16, 2004

**ORDINANCE NO. 2004- 27**

**(Increase in Local Supplement to State Homeowners Property Tax Credit)**

**WHEREAS**, Section 9-215.1 of the Tax-Property Article of the *Annotated Code of Maryland* authorizes a municipality to grant a local supplement to the State Homeowner Property Tax Credit Program; and

**WHEREAS**, the local supplement is equal to a percentage not to exceed 50% of the State homeowner property tax credit provided under Section 9-104 of the Tax-Property Article of the *Annotated Code of Maryland*; and

**WHEREAS**, by Ordinance No. 1991-42, the Council adopted a local supplement to the State Homeowner's Property Tax Credit Program and set the amount of the local supplement at 15% of the state homeowner's property tax credit amount; and

**WHEREAS**, the Council desires to increase the local supplement in order to provide greater tax relief against City property taxes for low-income and other homeowners who qualify for the state homeowner property tax credit.

**NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, that** Chapter 11, Taxation, Article 4, Local Supplement to State Homeowners Property of the *Takoma Park Code* is amended as follows:

**Sec. 11A-7. Definitions.**

\* \* \* \*

**Sec. 11A-8. Amount.**

\* \* \* \*

(b) The amount of the homeowner's tax credit local supplement shall be equal to ~~fifteen percent (15%)~~ **thirty percent (30%)** of the eligible homeowner's state homeowner's property tax credit for the taxable year in which the homeowner's tax credit local supplement is sought.

\* \* \* \*

**Sec. 11A-9. Eligibility.**

\* \* \* \*

(b) Once the eligibility criteria established by subsection (a) of this section have been met, the City ~~Administrator~~ Manager or his or her designee shall deliver to or mail the eligible homeowner, by first-class mail directed to the address listed in the City of Takoma Park tax records for the homeowner or to such other address as the homeowner requests, ~~mailing of real property tax bills~~, a check for the amount of the homeowner's tax credit local supplement.

**Sec. 11A-10. Regulations.**

The City ~~Administrator~~ Manager may promulgate regulations to carry out this homeowner's tax credit local supplement program.

Adopted this \_\_\_\_ day of \_\_\_\_\_, 2004, by roll-call vote as follows:

Aye:

Nay:

Absent:

Abstain:

**EXPLANATORY NOTE**

Additions to the existing language of the *Takoma Park Code* are shown by shading and underlining.

~~Deletions~~ to the existing language of the *Takoma Park Code* are shown by ~~strikeout~~.

\* \* \* \* indicates language of the *Takoma Park Code* which is not reproduced in this Ordinance and which is not being changed.

U:\Agenda Items\09-27-04\local supp h'owners tax credit\_ORD\_1st rdg.wpd